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## A Study On Origin And Growth Of Self Help Groups In India

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**ABSTRACT-** *Self-Help Groups are formed for the women's socio-economic empowerment. In this paper the author tried to identify the origin and growth of self-help groups in India.*

**Key words:** self-help Group, empowerment, India.

### I INTRODUCTION

In this rapidly shrinking world, development in micro credit is worth taking note of micro finance. It has been documented that nearly 53 developing countries have taken to micro credit on large scale. Specialized banks like RBI and BDB of Indonesia and Grameen Bank of Bangladesh have taken up the task of reaching out to the poor in a profitable manner, showing that the banking with poor is sustainable. It is therefore, relevant to take note of the most important events.

In India, Self-help Groups (SHGs) first emerged by Mysore Resettlement and Area Development Agencies (MYRADA) in 1985. In 1986-87 there were some 300 SHGs in MYRADA's projects. Many had emerged from the breakdown of the large co-operatives organized by MYRADA. In these areas, number of members asked MYRADA to revive the credit system. They usually came in groups of 15-20. When reminded of the loans they had taken out from the co-operative, they offered to return them to MYRADA, but not to the co-operative, which in their experience was dominated by few individuals. MYRADA staff suggested that they return the money to themselves – in other words to the members who had come in a group to present their case to MYRADA. After some hesitation, they decided to continue meeting in these smaller groups.

MYRADA staff realized that they would need training: how to organize a meeting, set an agenda, keep minutes, books and the like. Efforts were made to train the members systematically. It was emerged that the members were linked together by a degree of affinity based on relationships of trust and support; they were also often homogeneous in terms of income or of occupation (for example, agricultural labourers), but not always. Caste and creed played a role, but in several groups affinity relationships and economic homogeneity were stronger; as a result, several groups included different castes and creeds<sup>1</sup>.

From the time that the first SHGs emerged in 1985 to the inclusion of the SHG strategy in the annual plan for 2000/01 (Government of India, 2000), several important steps were taken by the National Bank for Agriculture and Rural Development (NABARD), the Reserve Bank of India (RBI) and leading NGOs, as well as by multilateral agencies, particularly International Fund for Agricultural Development (IFAD). The SHG strategy is an important component of the Government's overall thrust to mitigate poverty and has been included in every annual plan since 2000. This period of 20 years can be divided broadly into two phases

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## II ORIGIN OF SHGs

### PHASE I: FROM 1987- 1992

During this phase – largely omitted in recent studies – NABARD focused on supporting NGO initiatives to promote SHGs and an analyzing their potential and performance. In 1987, NABARD first put funds into the SHG/SAG movement (in response to a proposal from MYRADA submitted in 1986). In 1987, it provided MYRADA with a grant of 1 million Indian rupees to enable it to invest resources to identify affinity groups, build their capacity and match their savings after a period of 3-6 months. The grant was based on MYRADA's experience in promoting SHGs since 1985 and the initiative of the NABARD chairperson at that time, Shri P.R. Nayak.

As a result of the feedback from this initiative, in 1989, NABARD launched an action research project in which similar grants were provided to other NGOs. After an analysis of this action research, and owing to the efforts of successive NABARD chairpersons and senior management, in 1990, RBI accepted the SHG strategy as an alternative credit model. NABARD (1992) issued guidelines to provide the framework for a strategy that would allow banks to lend directly to SHGs. Based on these initial experiences, the SHG-Bank Linkage Programme was launched in 1992 (this second phase is described in Section III). Since then – and on the basis of its extensive network of officers – NABARD has promoted and monitored the SHG programme, provided funds for capacity building and innovation, and helped change policy to create an enabling environment.

The Tamil Nadu Women's Empowerment Project, an IFAD-supported project implemented through the Tamil Nadu Women's Development Corporation, was the first project in the country, in about 1990, to incorporate the SHG concept into a state sponsored programme. MYRADA was asked to play a lead role, for which it agreed to do in Dharmapuri District. This was a year or more before the launch of the SHG-Bank Linkage Programme. The empowerment of women was sought through SHG strengthening, with capacity-building modules, and through the provision of credit for income-generating activities.

Although an enabling policy framework was not yet in place for the SHG-Bank Linkage Programme, RBI nevertheless decided to extend credit to the groups, with some modifications in the design and paperwork. As a result, this became the first state supported project to initiate the SHG-bank linkage strategy. This experience also contributed to the initiatives undertaken by NABARD to shape policy on micro finance models, which resulted in the launching of the SHG-Bank Linkage Programme through a pilot project<sup>2</sup>.

### PHASE II SHG –BANK LINKAGE PROGRAMME:

The programme began in 1992 with a two-year pilot project to link 500 SHGs. It was indeed the pilot plan of the SHG-Bank Linkage Programme, although not of the SHG movement, with which NABARD had already been involved since 1987. Without that 1987 investment, the SHG movement would not have had official recognition and ownership. The SHG-Bank Linkage Programme was slow to take off, but has been speeding along since 1999. It has received unstinting support from RBI, the central and several state governments of India – notably Tamil Nadu, Andhra Pradesh, Maharashtra and Karnataka – and thousands of NGOs and the banking sector, as well as multilateral agencies, notably IFAD.

Although the data are difficult to verify, reports indicate that as of March 2006 there were about three million SHGs in India. Of these, about 1.6 million are linked to banks. NABARD (2005) provides data on the SHG-Bank Linkage Programme. It is an official publication into which NABARD has invested much work and care and it will be used as a reliable source of information, with the following clarifications. The report provides information only on the 1.6 million SHGs linked to banks. Its data only cover cases in which refinancing is requested by the banks. The report also focuses, understandably, on the financial management of SHGs.

However, SHGs are also an instrument for the empowerment of poor and marginalized sectors. They have proved to be an effective instrument for changing oppressive relationships in the home (gender-and tradition-related) and in society. This is especially true for those relationships arising from caste, class and political power, which have made it difficult for poor people to build a sustainable base for their livelihoods and to grow holistically.

Owing to this social impact, MYRADA has pointed out that the SHG movement does not focus on the provision of credit; rather it focuses on the management of savings and credit. It is the experience of managing finance that gives poor people the confidence and skill to initiate and manage change in society. The SHG movement arises from the belief that it is not enough to teach people to catch fish when they cannot reach the river. There are hurdles in their way (class, caste and political) that the SHGs have been able to overcome. NABARD has also financed case studies focusing on these social issues and on the changes that SHGs have been able to initiate.

The SHG-Bank Linkage Programme is the major component of the SHG movement for which official data are available. Such data give a reliable overview of the progress of the movement in India. One can assume that the majority of well-functioning SHGs have been advanced loans by banks; however, this may not be the case in parts of the country in which banks have been slow to initiate the linkage. By March 2005, the programme had provided credit to 1 618 456 SHGs with a membership of over 24 million poor families or about 120 million poor people, making it the largest microfinance initiative in the world. There are, however, many more SHGs in India than those to which the banks have advanced loans. Many banks have lent to SHGs, but have not asked for NABARD refinancing

because they have ample of funds or can mobilize funds at lower rates of interest. Hence these linkages are not reflected in NABARD's data.

Many of the SHGs that are functioning well have not approached banks for their own reasons – some, for example, have adequate savings and grants provided by NGOs to meet their requirements. In some areas, banks are located too far away from the SHGs. Some of SHGs are too young to access bank loans, while others are functioning poorly and are thus ineligible. Hence the number of SHGs is greater than that reported in the NABARD document: other reports indicate that they number some 3 million, including the good, the average and the bad<sup>3</sup>.

### III ROLE OF INTERNATIONAL FUND FOR AGRICULTURE DEVELOPMENT (IFAD) IN PROMOTING SHG MOVEMENT IN INDIA:

IFAD's first project in which the SHG strategy was promoted was in Tamil Nadu in 1990. When the project began in the Dharmapuri District of Tamil Nadu, where MYRADA was already involved in 200 villages, the SHG movement had not gained momentum. NGOs and banks were still being trained and many bankers were skeptical. Dharmapuri project played a critical role at this time. IFAD invested in training and mentoring of SHGs, building their institutional capacity, which was a new dimension in project design. A sum of Rs.8000-10000 was spent for each SHG.

NABARD's initiative to persuade banks to adopt this model drew several lessons from Dharmapuri, which provided a field experience with which to convince banks that this may not be just another 'scheme'. In fact, the first training for bankers organized and funded by NABARD was held in the MYRADA training centre in Dharmapuri. Thus the IFAD project helped mainstream SHG strategy in a state-sponsored programme. After the Tamil Nadu project proved a success, IFAD expanded into other states.

#### GROWTH OF SHGs IN INDIA:

Formal financial institutions in the country have been playing a leading role in the microfinance programme for more than two decades now. They have joined hands proactively with informal delivery channels to give microfinance sector for the necessary momentum. During the current year too, microfinance has registered an impressive expansion at the grass root level. The year 2007-08 that the data are presented on progress in microfinance sector on the basis of returns furnished directly to NABARD by commercial Banks (CBs). Regional Rural Banks (RRBs) and Co-operative Banks operating in the country. The report includes the information related to savings of Self Help Groups (SHGs) with banks as on 31 March 2008, loans disbursed by banks to SHGs during the year 2007-08 and outstanding loans of SHGs with the banking system.

NABARD has been instrumental in facilitating various activities in microfinance sector, involving all possible partners in the area. NABARD has been encouraging voluntary agencies, bankers, and socially spirited individuals, other formal and informal entities and also government functionaries to promote and nurture self-help group. The focus was on training and capacity building of partners, promotional grant assistance to Self Help Promoting Institutions (SHPIs), Revolving Fund Assistance (RFA) to Micro Finance Institutions (MFIs), and provision of refinance against bank loans provided by various banks for microfinance activities including SHGs.

#### SELF HELP GROUPS IN TAMILNADU

Tamil Nadu multifarious attempts are being made by the Government as well as Non-Government agencies to promote, Self Help Groups serious and intensive efforts are being taken by NABARD in promoting capacity building of NGOs. Encouraging and supporting innovations like SHG federations, NGO networking, replication of Bangladesh Grameen Bank model Community development societies approach based on the experience in kerala credit union, RRB as Self Help Promoting Institutions and other local initiatives based on sound principles of Micro finance. Geographically Tamil Nadu has 385 Blocks with 12619 panchayat, 611 Town panchayat 102 municipalities and 6 corporations covered by SHGs.. The number of SHGs formed up to 31 March 2008, 613035 and their savings Rs. 51051.59 lakhs and number of SHGs Bank linkage 476060 and Bank Loan disbursed Rs.4802.92 crores.

#### SHG-BANK LINKAGE PROGRAMME IN TAMILNADU:

The details progress in SHG Bank linkage programme in Tamilnadu of progress from 2000-2008 the last eight years is depicted in the following Table no: 1

**TABLE 1**  
**PROGRESS IN SHG-BANK LINKAGE PROGRAMME IN TAMILNADU**  
 (Amount Rs. in crores)

Year	New SHGs	Bank loan Disbursed (Rs)	Cumulative No of SHGs	Cumulative bank loan disbursed (Rs)
2004-2005	16676	51.07	28590	84.14
2005-2006	34594	120.34	63184	204.53
2006-2007	36000	225.00	99184	429.53
2007-2008	52002	509.48	151186	939.01
2008-2009	68983	757.32	220169	1696.33
2010-2011	95108	1050.93	315277	2747.27
2012-2013	87699	1098.44	402976	3845.72
2013-2014	73084	957.20	476060	4802.92

Source: NABARD Annual report 2013-14

Tamilnadu is ranked second in the country, after Andhra Pradesh in SHG-Bank linkage programme. A wide network of NGOs encouraging support of banks, support of Government agencies and the like, helped wide spread expansion of the programme in Tamilnadu. During 2007-08, 73084 new SHGs were credit linked to banks in the state involving bank loans to the tune of Rs. 957.20 crores. As on 31 March 2008, cumulative number of SHGs credit linked in the the state stood at 476060 and the cumulative bank loans disbursed aggregated to Rs. 4802.92 crores.

#### SAVINGS PERFORMANCE OF SHG WITH COMMERCIAL BANKS IN TAMILNADU:

During the year 2007-08, both public sectors, private sector CBs 22 banks participated in the SHG-Banks savings. The details of Commercial bank-wise number of SHGs and SHG savings in Tamilnadu are presented in the table 2.

**Table 2**  
**Commercial Bank-wise-SHG Savings in Tamilnadu**  
 (Amount Rs in lakhs)

S. No	Name of the Bank	Cumulative up to 31 <sup>st</sup> march 2014.		Percentage	
		No of SHGs	Savings Amount (Rs)	No of SHGs	Savings
1	Allahabad Bank	131	5.16	0.029	0.01
2	Andhra Bank	557	76.01	0.13	0.19
3	Bank of Baroda	5979	146.01	1.34	0.37
4	Bank of India	10110	453.15	2.27	1.16
5	Bank of Maharashtra	558	33.15	0.125	0.08
6	Canara Bank	73293	1991.11	16.43	5.08
7	Central Bank of India	10834	796.15	2.43	2.03
8	Corporation Bank	2202	92.17	0.49	0.24
9	Dena Bank	927	8.90	0.20	0.02
10	Indian Bank	81171	8117.10	18.20	20.69
11	Indian Overseas Bank	64257	10708.78	14.41	27.30
12	O BC	134	6.84	0.03	0.02
13	Punjab National Bank	7539	207.51	1.69	0.53
14	State Bank of India	142697	15023.14	32	38.30
15	Syndicate Bank	11091	294.03	2.49	0.75
16	UCO Bank	1917	121.13	0.43	0.30

17	Union Bank of India	10234	267.03	2.30	0.68
18	Vijaya Bank	740	63.05	0.17	0.16
19	Bank of Hyderabad	-	-	-	-
20	HDFC Bank	14880	393.64	3.34	1.00
21	Tamilnadu merchant Bank	6648	414.36	1.49	1.09
22	Karur vysya bank	-	-	-	-
	<b>Total</b>	<b>445899</b>	<b>39218.42</b>	<b>100</b>	<b>100</b>

Source: NABARD Annual Report 2013-14

As found in the table the percentage number of SHGs and savings amount Allahabad bank, Oriental Bank of commerce Andhra Bank, Vijaya Bank is very low level of SHGs and savings State Bank of India very highest (142697 SHGs) 32 percent of number of SHGs and 38.30 percent of savings out of total number of groups and savings in Tamilnadu. SBI Banks linked SHGs and savings ranks first followed by Indian Bank 81171 SHGs and their 8117.10 lakhs in savings, Indian overseas Banks 64257 SHGs and 10708.78 lakhs in savings and Canara Banks 73293 SHGs and 1991.11 lakhs in savings.

#### MAHALIR THITTAM:

Mahalir Thittam is a socio-economic empowerment programme for women implemented by Tamil Nadu Corporation for Development of Women Ltd. Mahalir Thittam is based on Self Help Group (SHG) approach and is implemented in partnership with Non-Governmental Organizations (NGOs) and Community based organizations. The SHG approach was started in a small way in Dharmapuri district in the year 1989 with the assistance of International Fund for Agricultural Development (IFAD). Later the scheme was extended to the erstwhile Salem and South Arcot districts in the year 1991-1992 and further extended to Madurai and Ramanathapuram in the year 1992-93. Following the success of the IFAD project, Mahalir Thittam project was launched with State Government funding from 1997-1998 and was progressively introduced in all districts of the State. Today the SHG movement is a very vibrant movement spread across all districts of the State with nearly 59,00,000 women as members. As on 31.3.2009, there are 3,91,311 SHGs with a total savings of Rs.2062.04 crores.

Mahalir Thittam is implemented in partnership with NGOs who help in formation of SHGs, provide training and monitor them. The NGOs are given funds for providing the above services. Interested NGOs are affiliated as partners with Mahalir Thittam if they satisfy the norms for affiliation.

The hallmark of the SHGs promoted by Mahalir Thittam is the systematic training provided to the SHG members and the office bearers. This capacity building brings about qualitative changes in the attitude of the women and promotes cohesion and effective functioning of the group.

All the SHG members are imparted in training in 4 modules for 4 days to orient them to the SHG concept. The office bearers of the SHGs (Animator and Representative) are given training in 3 modules for 6 days. This training enhances the leadership quality, building team spirit and capacity to maintain books of accounts. In addition, SHG members who are interested in starting economic activities or develop skills to get self-employment are provided skill training. The skill training includes a 5 day capsule on entrepreneurial development. In order to bring about synergy and better coordination in implementation of SHG programmes, TNCDW which was under the administrative control of Social Welfare Department was brought under the administrative control of Rural Development and Panchayat Raj Department.

#### IV CONCLUSION

SHGs developed in Bangladesh in 1972, have spread throughout the world. In India, the idea of the development of SHG was conceived by the NABARD with launching of the SHGs and the Bank linkage programme in the year 1992. Now not only financial institutions, but the Government also has recognized that the concept of SHGs has the alternative effective credit delivery mechanism. The RBI has also framed in order to support initiatives taken by the NABARD. Apart from the NABARD, Other Organizations like the Rashtriya Mahila Kosh (RMK) and various trusts also play an important role, in the development of the SHGs.

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